Summary of Management Briefing
Progress and Outlook of Medium-term Management Plan for FY 2025–27

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Asahi Kasei Corporation

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Presentation

Kudo: Today, I will explain the progress and outlook of our medium-term management plan (MTP) for FY 2025–27 "Trailblaze Together".

P. 2 Main points

Since the launch of the current MTP in April 2025, not only have there been changes in financial and industrial policies across various countries, but a range of unforeseen events has also occurred, most recently including military conflict in Iran. By responding swiftly to such unpredictable changes in the external environment, we have made solid progress toward the operating income target of 270 billion yen under the current MTP, and the certainty of achieving the target has increased. Even amid an uncertain business environment, our business portfolio—which enables sustainable growth—has proven effective, and past investments in fields such as Healthcare and AI/semiconductors are now bearing fruit, strongly driving profit growth.

In addition, we are steadily executing growth investments and structural transformation aimed at enhancing corporate value over the medium term in line with the current MTP. We are also advancing various initiatives to further evolve Asahi Kasei's unique ecosystem that supports these business developments.

1. Vision of Asahi Kasei

P. 4 Aims for 2030

Asahi Kasei's unchanging goal continues to be a mutually reinforcing cycle of two aspects of sustainability: contribution to a sustainable society and sustainable growth of corporate value.

To achieve this goal, the three sectors have businesses that solve various issues in society based on their respective roles and approaches. We believe that we can create innovative products, services, and business models on a sustainable basis by directly facing the world's challenges and providing value through a variety of businesses. From a financial perspective, we aim to achieve profit growth with a CAGR over 10% together with high capital efficiency, thereby driving sustainable enhancement of corporate value.

P. 5　Asahi Kasei ecosystem and path to success in each sector

The management foundation that Asahi Kasei has built through more than 100 years of history constitutes the core of our management. We believe that Asahi Kasei's unique ecosystem lies in sharing this foundation across sectors and flexibly leveraging it among them to provide value through Asahi Kasei's distinctive path to success.

For example, in Pharmaceuticals within Healthcare, we are pursuing proactive business expansion by focusing on specific disease areas and fully leveraging the M&A expertise and human resources that have been cultivated to date. This approach is unique to Asahi Kasei and would be difficult for a similarly sized specialized pharmaceutical company.

In Homes, we are focusing on urban areas in Japan and leveraging our strengths in human resources and brand power to strengthen profitability even in a difficult environment.

In Material, we will focus on areas where we have strengths in long-cultivated technology and expertise, while boldly promoting collaboration with other companies rather than persisting with an independent approach.

P. 6　Change in income composition (evolving Diversity × Specialty)

Looking at the income composition of the three sectors in FY 2021, we were a diversified chemical manufacturer centered on Material while also having Healthcare and Homes. Since then, Material has focused on structural transformation as a response to changes in the operating environment, while Homes and Healthcare have steadily grown as investments made to date have borne fruit. As a result, in FY 2025, Homes is expected to generate the highest operating income among the sectors, and toward FY 2030, we aim to achieve a structure in which each sector generates roughly the same level of operating income. Through the evolving Diversity × Specialty, we will shift toward a structure in which high value-added businesses in diverse industries make strong income contributions.

2.　Group-wide Overview

P. 8　Targets and basic policies of the medium-term management plan (MTP)

The first basic policy of the current MTP is profit growth by generating returns from investments, the second is improvement of capital efficiency through structural transformation and enhanced productivity, and the third is evolution of Diversity × Specialty by further strengthening and utilizing the management foundation.

The numerical targets remain unchanged from those initially set under the current MTP. In FY 2027, the final year of the MTP, we aim to achieve operating income of 270 billion yen, with ROIC of 6.0% and ROE of 9.0%. We regard these as minimum targets, and we aim to exceed 10% ROE as early as possible. Toward 2030, we will continue to grow profit while further improving ROE and ROIC, to achieve a higher level as a high-growth, high-capital-efficiency company.

P. 9　Management indicators (operating income, ROIC, ROE)

Operating income in FY 2025 is expected to reach a record high for the second consecutive year, driven by the growth of Pharmaceuticals centered on Calliditas Therapeutics AB and strong performance of electronic materials for AI and semiconductors.

ROIC and ROE in FY 2025 are also expected to improve year-on-year in line with profit growth. While both ROIC and ROE are progressing steadily toward the FY 2027 targets, we will continue to advance actions with an emphasis on capital efficiency in pursuit of higher levels.

P. 10　Business portfolio transformation to raise corporate value

Asahi Kasei has advanced business portfolio transformation through proactive growth investments. Since FY 2018, we have invested approximately 1 trillion yen in M&A and approximately 600 billion yen in capital expenditures, and have shifted toward high value-added markets.

In FY 2018, supported by favorable petrochemical market conditions, Chemical generated close to 80 billion yen in operating income. Since then, as business portfolio transformation has progressed, the profit composition has changed significantly. In the FY 2025 forecast, operating income in Chemical is curtailed by deteriorating petrochemical market conditions, while that in businesses other than Chemical have grown.

Asahi Kasei's ecosystem underpins this business portfolio transformation. By focusing on high value-added markets, executing strategic capital allocation, and utilizing diverse intangible assets—including technology, personnel, and management knowledge—across sectors, we have continued this transformation.

P. 11 Portfolio positioning of each business

Let me reiterate the positioning of each business in the portfolio.

First Priority businesses are those to which we proactively allocate resources to drive profit growth for the group as a whole: Pharmaceuticals, Critical Care, Overseas Homes, and Electronics.

Growth Potential businesses, aimed at medium-term growth, are Life Science, real estate development in Domestic Homes, and Energy & Infrastructure.

Chemical, which is positioned as a business for profitability improvement and business model change, will focus on structural transformation for the time being.

We will achieve sustainable growth and greater capital efficiency by allocating resources in a more focused manner according to the positioning of the businesses

P. 13 Progress of business portfolio transformation

From FY 2025, the first year of the current MTP, we have promoted proactive growth investments and structural transformation.

For growth investments, we decided to bring forward the expansion of capacity for Pimel photosensitive dielectric in response to strong demand for AI and semiconductors. In Pharmaceuticals, we decided to acquire Aicuris Anti-infective Cures AG (acquisition completed on April 17, 2026, CEST). We are also executing investments for future growth such as expanding capacity to manufacture electrolysis system components for alkaline water electrolysis for clean hydrogen and increasing capacity for virus removal filters.

Regarding structural transformation, we implemented alliances and divestitures as better approaches to enhance business value across multiple businesses of Material in addition to Chemical.

P. 14 Changes in operating income by business

Toward the FY 2027 operating income target of 270 billion yen, the main drivers of profit growth will be Pharmaceuticals, Critical Care, Overseas Homes, and Electronics.

In Pharmaceuticals, Tarpeyo IgA nephropathy treatment will continue to lead growth, and domestic pharmaceuticals will also steadily expand profits. To realize sustainable growth, we will strengthen in-licensing activities to expand the pipeline. In FY 2027, we expect in-licensing expenses to increase by approximately 30 billion yen compared with FY 2025.

In Overseas Homes, while the Australian business continues to grow steadily, the North American business remains sluggish. We assume it will return to a growth trajectory as housing demand recovers, but uncertainty remains.

Taking into account the business environment risks in North America, we have incorporated a buffer of 15 billion yen as downside risk, mainly assuming risks related to North American homes, separators, and tariffs. Based on these considerations, we believe the operating income target of 270 billion yen is fully achievable.

P. 15 Long-term investment plan

The total amount of investment decisions over the three years of the current MTP is expected to be 930 billion yen, slightly below the initial plan of 1 trillion yen, reflecting a refined view of M&A investment amounts mainly in Healthcare and Overseas Homes. Expansion-related investments decreased to 600 billion yen, but we are steadily proceeding with growth investments aimed at medium- to long-term expansion. Approximately 60% of expansion-related investments are targeted at First Priority businesses. We see further room to expand First Priority businesses, and as with Pimel, we are taking a proactive stance by identifying investment opportunities while assessing market trends.

The graph on the right side shows the amount of expansion-related investments in the three sectors. In the current MTP, we will expand growth investments in Healthcare and Homes, while focusing investment in Material on carefully selected businesses to achieve a balanced resource allocation.

P. 16 Progress of M&A

To supplement the expansion-related investments, I will explain the status of major M&A projects.

This section shows the change in operating income for each one, starting from a certain point in time. Pharmaceuticals, Australian Homes, and Car Interior are generally performing as expected, although there were some temporary delays due to environmental factors. For North American Homes, we aim to put the business back on a growth trajectory as the operating environment improves. On the other hand, in cases such as Respicardia, Inc. and Bionova Scientific, LLC, where products and services are early-stage, the market ramp-up has been slower than assumed.

The knowledge and expertise gained through these M&A projects are extremely important intangible assets. We will maximize their use in future M&A projects to increase the certainty of success.

P. 17 Structural transformation of the Material sector

In the current MTP, the focus of structural transformation is on Material, targeting the transformation of businesses accounting for approximately 20% of its sales, about half of which is expected to be in Chemical.

In FY 2025, in addition to business withdrawals and production shutdowns in Chemical, we advanced divestitures and alliances in businesses other than Chemical. As a result, the sales scale of businesses for which we have made structural transformation decisions reached roughly 125 billion yen, about half of the current MTP target. For the remaining half, the orientation has been broadly identified, and we will execute them in due course.

P. 18 Capital allocation (3-year total for FY 2025–27)

In cash outflows, we emphasize a balance between investment for growth and shareholder returns. Total cash outflows are approximately 1.2 trillion yen, unchanged from the initial plan. For cash inflows, operating cash flow has exceeded the initial plan due to strong profit trends, resulting in reduced needs for funding through interest-bearing debt. Business divestitures and the utilization of other companies' capital are progressing as planned, and we are also utilizing various financial support to execute growth investments and structural transformation.

In terms of financial health, we will manage our capital structure with a D/E ratio of around 0.7 and a debt-to-EBITDA ratio of around 3.0 as guiding metrics.

P. 19 Shareholder returns

With regard to shareholder returns, we place particular emphasis on progressive dividends and aim to continuously improve the level of returns. Under the current MTP, we use dividends on equity (DOE) as a key indicator and will pursue medium- to long-term progressive dividends with a benchmark DOE level of 3%. We will consider the year-end dividend for FY 2025 based on actual performance.

In FY 2025 we decided to implement a share repurchase of up to 40 billion yen. We will consider and implement share repurchases in a flexible manner based on the optimization of our capital structure, investment projects, cash flow conditions, stock price trends, and other factors.

We expect total shareholder returns (TSR) for FY 2025 to be 148%. By incorporating TSR into Executive Officer compensation metrics, we are raising management awareness, and will continue efforts to deliver high shareholder returns.

3. Business strategies

P. 22 Nimble response to changes in the operating environment

Since the start of the current MTP in April 2025, various changes have occurred in the operating environment. I will explain how we are responding to these changes.

Amid a difficult-to-forecast outlook—including fiscal policy developments in response to inflation and a fragmented global economy driven by persistent geopolitical risks—we are taking dynamic actions, mainly in First Priority and Growth Potential businesses, to turn changes into opportunities for enhancing business value.

In Pharmaceuticals, while carefully assessing risks such as U.S. policy trends, we decided to pursue acquisitions for medium-term growth by leveraging Asahi Kasei's financial soundness and M&A expertise.

In Overseas Homes, we are pursuing proactive expansion in Australia against a backdrop of stable economic growth, while in North America we are controlling risks by reviewing investment plans, including M&A, in light of sluggish housing demand.

In Electronics, in response to rapid expansion of AI and semiconductor demand, we decided to bring forward capacity expansion for Pimel, and are accelerating development of next-generation glass fabric.

In separators under Energy & Infrastructure, while facing slower EV demand, we view expanding demand for energy storage batteries for AI data centers as an opportunity and are expanding our sales portfolio.

Changes in the external environment can be opportunities for us as a company with diverse businesses. By responding flexibly at the right time, we will ensure achievement of the targets of the current MTP.

P. 23 First Priority: Pharmaceuticals

Now I will explain the status of our strategy implementation, focusing on First Priority and Growth Potential businesses.

In Pharmaceuticals, we aim to establish a sustainable growth foundation through proactive expansion investments, targeting net sales of 300 billion yen in FY 2030. A key feature of the strategy is our focus on niche specialty therapeutic areas such as immunology, kidney diseases, transplantation, and severe infectious diseases. This allows us to manage the business without taking excessive risks because we face little direct competition from mega pharma companies, the scale of our clinical trials is relatively small, and we do not require a large sales force.

In current performance, Tarpeyo in the kidney disease area is growing faster than assumed at the time of the acquisition, and the timing to reach peak sales of US$500 million may be brought forward by 2–3 years compared with the initial assumption. Envarsus XR immunosuppressant in the transplantation area also continues to maintain a high growth rate.

We are also focusing on pipeline expansion for future growth. In the severe infectious disease area, we are advancing preparations for approval of pritelivir, a pipeline asset of Aicuris, following confirmation of efficacy and safety in a Phase 3 trial. In addition to the development pipeline of Veloxis Pharmaceuticals, Inc., we continue to consider in-licensing, and have incorporated cumulative in-licensing expenses of approximately 40 billion yen over the three years of the current MTP. We will, of course, carefully scrutinize in-licensing opportunities.

By leveraging our global business platform and the Asahi Kasei Group's financial and management foundations, we will evolve Pharmaceuticals into a business that achieves both growth and high profitability.

P. 24 First Priority: Critical Care

In Critical Care, we will continue to promote organic growth of existing businesses, ensuring results from past investments, mainly targeting the field of serious cardiopulmonary and respiratory conditions. Toward 2030, we plan to expand net sales to around US$4 billion, with an operating margin of approximately 15%.

In the core business of Acute Care Technology (ACT), we will achieve sustainable growth by expanding sales of Zenix, a new defibrillator product for professional use with improved operability, and by improving AED products.

In Cardiac Management Solutions (CMS), through the launch of the next-generation LifeVest wearable defibrillator, we will pursue steady growth in the U.S. and expand share in Europe, where penetration remains low.

We view the sleep-related field as an area with high growth potential. Supported by increased awareness of sleep apnea as a disease, we expect expanding demand for devices for diagnosis and treatment, and will aim for high growth through continued resource allocation.

While Critical Care experienced a temporary slowdown, we strongly feel that it has returned to a growth trajectory through new product launches and other initiatives. We will contribute to long-term enhancement of corporate value in the socially meaningful field of serious cardiopulmonary diseases.

P. 25 First Priority: Overseas Homes

In North American Homes, we are achieving shorter construction periods and improved construction quality by leveraging our systematized construction business model (Synergos model), which integrates the core steps of the construction process. While the market environment is currently challenging due to inflation concerns and higher home prices, we believe demand will remain resilient over the medium to long term due to population growth and a shortage of housing supply. Based on this view, in the short term we will control investments while assessing supply and demand, and we will continue to strengthen the Synergos model and examine geographical expansion in anticipation of recovery.

In Australian Homes, the business environment is relatively favorable supported by stable population growth and economic growth. We will further improve productivity and profitability through enhanced business processes and pursuit of efficiency through economies of scale, and drive growth by increasing share in each territory.

By implementing strategies tailored to the characteristics of the North American and Australian markets, we aim to achieve net sales of 500 billion yen and an operating margin of approximately 10% around 2030.

P. 26 First Priority: Electronics

In electronic materials, we are further refining Asahi Kasei's strengths in niche technologies and expanding high-performance materials that support cutting-edge technologies such as AI. Pimel has been highly evaluated in the advanced semiconductor packaging market, and adoption is expanding in advanced applications including AI servers. In recognition of our technological capabilities and close co-creation with customers, we received the TSMC Excellent Performance Award for the second consecutive year, establishing a firm position as a partner supporting customers' next-generation product development from the materials side. We are also expanding applications while enhancing value-added offerings in related materials such as glass fabric, dry film photoresist, and curing agent for adhesives.

A distinctive feature of our business is that it also includes electronic components. In electronic components, new adoption of current sensors for EVs is gaining momentum, and we expect this to contribute to future profit growth.

By leveraging strong technology, co-creation with customers, and capturing growth in demand related to AI and semiconductors, we aim for net sales of 300 billion yen around 2030.

P. 27 Growth Potential: Energy & Infrastructure - separator market trends

EV market growth has slowed more than assumed. Particularly in North America, the growth scenario has changed from what we envisioned at the time of the North American investment decision in April 2024. On the other hand, demand for ESS (energy storage systems) is rapidly increasing, driven by expanding electricity demand and renewable energy use associated with growth of generative AI and data centers. The scale of the North American ESS market is expected to become comparable to the North American EV market by FY 2027. In response, we are shifting from a sales strategy centered on EV applications to a more stable sales portfolio including ESS.

In ESS applications, standardization and systemization of batteries has progressed and costs have declined, improving economics without relying on subsidies, and expanding demand. Meanwhile, knowledge regarding battery durability and optimal operating conditions is still insufficient, and issues in quality assurance and operation are becoming apparent. We believe we can contribute to solving these issues by leveraging our data-driven durability evaluation and expertise in solution-oriented business cultivated through separators and the ion-exchange membrane process chlor-alkali business.

P. 28 Growth Potential: Energy & Infrastructure - North American Hipore

Construction of the plant for Hipore wet-process lithium-ion battery separator in Ontario, Canada, is progressing as planned, but in light of slower EV market growth, we will carefully determine the start-up timing while assessing market trends. At the time of the investment decision, commercial operation was scheduled to begin in 2027, but we currently assume a delay of 1.5 to 2 years. For the timing of full utilization, we will manage risk by appropriately controlling ramp-up in line with demand trends, with a view beyond 2030.

However, growth opportunities in North America have not disappeared. Through joint development with major customers, we are advancing development of high value-added film, in addition to proactively gaining new customers in areas such as ESS, and expanding our sales portfolio. The utilization of financial support from the federal government of Canada and the provincial government of Ontario, as well as collaboration with a policy-based financial institution and partner companies, is progressing smoothly, and we will continue to develop the business in a manner that reduces risks.

P. 29 Growth Potential: Energy & Infrastructure - Hipore business plan

As described, we are shifting toward a sales portfolio not overly dependent on EV applications. Specifically, by capturing demand in ESS, automotive applications beyond Japanese manufactures, and high-end automotive demand, we aim to expand sales volumes steadily while mitigating the impact of demand fluctuations.

On the production side, we plan to utilize existing facilities in Japan and South Korea while gradually ramping up operations at the Canadian plant. This will enable us to expand sales volumes and improve profitability through higher utilization rates.

While we are carefully examining the outlook, we expect EBITDA to recover in the latter half of the current MTP period. Although further changes in the market environment may occur, we believe medium- to long-term demand will remain solid. We will take dynamic actions to achieve our targets of net sales of at least 110 billion yen and an operating margin of around 20%.

P. 30 Profitability improvement & business model change: Chemical

In FY 2025, in addition to business withdrawals such as MMA and production termination of resin raw materials, we decided on integration of ethylene manufacturing facilities in collaboration with Mitsui Chemicals, Inc. and Mitsubishi Chemical Corporation. With a target of around FY 2030, we are proceeding with plans to discontinue operations of the Asahi Kasei Mitsubishi Chemical Ethylene Corporation ethylene production facility of its Mizushima plant, and consolidate operations at the ethylene production facility of Mitsui Chemicals in Osaka. By further advancing these initiatives, we expect that the scale of Essential Chemical will decline to a few percent of total consolidated net sales around FY 2030. While scale will shrink, we will continue stable supply of products that are critical to the supply chain and contribute to strengthening the competitiveness of Japan's petrochemical industry as a whole.

We are also focusing on feedstock conversion and the provision of decarbonization solutions. Our Revolefin technology uses bioethanol as feedstock and can achieve decarbonization while utilizing existing facilities—a unique technology that can be applied globally. After advancing verification, we will consider commercialization at the integrated ethylene production facility and also explore global application through licensing.

P. 31 Financial targets by sector

Operating income and ROIC are also shown on a before-goodwill-amortization basis. In Healthcare, which leverages M&A, goodwill amortization has a meaningful impact. Operating income before amortization of goodwill in Healthcare is expected to be 132 billion yen in FY 2027, the highest among the three sectors, and ROIC before goodwill amortization is expected to be around 10%.

4. Creating Value through the Asahi Kasei Ecosystem

P. 33 Lateral sharing of technology, manufacturing expertise, and digital tools

One example of value creation through Asahi Kasei's ecosystem is cross-sector utilization of technology, manufacturing expertise, and digital tools. With the mindset that issues of manufacturing span across sectors, we are creating new value through group-wide technology utilization.

For example, polymer design technologies cultivated in Material have been applied to pore size control in virus removal filters. We also apply automation technologies and operational expertise cultivated in Healthcare manufacturing facilities to other sectors to improve quality and productivity. By transforming tacit knowledge accumulated at manufacturing sites into explicit knowledge through the use of digital technologies, we can apply it to more sites with high reproducibility.

In this way, sharing and mutually utilizing technologies and other capabilities across the group—not only optimizing individual businesses—has become a source of competitiveness for Asahi Kasei.

P. 34 Utilizing intangible assets

We are working to monetize intangible assets such as proprietary technologies, expertise, and personnel and organizational expertise cultivated over many years not only within the company but also externally through licensing. In FY 2025, we concluded six licensing agreements. By steadily accumulating results over the three years of the current MTP, we aim for a cumulative income contribution of around 10 billion yen by 2030. Target technologies span a wide range including battery materials, healthcare materials, and construction materials—areas where Asahi Kasei's strengths can be leveraged.

We are also utilizing digital technologies and materials informatics externally, not only internally. A distinctive feature of our DX is that we engage with customers through Proof-of-Concept and development support to contribute to value creation, rather than simply providing technology and expertise.

Refining intangible assets and deploying them externally as businesses is not only a source of income contribution but also an opportunity to demonstrate Asahi Kasei's technological capabilities.

P. 35 Utilization of AI in the Asahi Kasei ecosystem

We believe that, compared with companies with a single business, Asahi Kasei has significant potential for AI utilization given our diverse businesses. Through a group-wide generative AI platform, we are already promoting lateral utilization of data and expertise dispersed across businesses, advancing AI use across a wide range from R&D and manufacturing to indirect operations. We are also promoting cross-sector mutual utilization; for example, in Homes, expertise from Material is being used to enhance design, product development, and customer support, and, in Healthcare, to improve information management and customer response efficiency in Life Science.

As a more advanced concept, we are considering cross-sector use of AI agents. By connecting data and expertise across businesses and enabling AI to generate hypotheses and search for optimal solutions, we can complement judgments that have depended on people and improve decision-making speed and reproducibility in management and at individual sites. By positioning AI at the core of our ecosystem, we aim to enhance the competitiveness of each business and further elevate the group's value creation capabilities.

P. 36 Creating value with the Asahi Kasei ecosystem

We will introduce examples where we are creating effects by using the ecosystem across businesses.

In IP management, by leveraging accumulated expertise in Pharmaceuticals, we were able to obtain additional patent protection for Teribone osteoporosis drug with annual sales of approximately 40 billion yen.

In corporate sales for Domestic Homes, we are diligently pursuing order acquisition activities by leveraging networks supported by the Asahi Kasei Group's brand and credibility.

Utilization of accumulated M&A expertise is also a value unique to Asahi Kasei. Our ability to execute seven M&A transactions of 30 billion yen or more over the past five years was made possible by the presence of highly specialized human resources and accumulated expertise from past transactions.

By organically combining and leveraging intangible assets such as IP, brand strength, human resources, and management knowledge, we will create value unique to Asahi Kasei.

P. 37 Human Resources Strategy

The implementation of the business strategy up to this point is entirely dependent on human resources. Asahi Kasei is promoting a variety of measures based on the concept that "people are our most valuable assets, everything starts with people," with lifelong growth and co-creativity as the two pillars of our human resources strategy. To accelerate these efforts, we have started operating a new HR system aimed at reinforcing the culture of taking challenges with greater differentiation in evaluation.

In addition, to further strengthen unity between employees and management, in FY 2026 we introduced a performance-linked special incentive for the employee stockholding association. As a result, the participation rate in the association has exceeded 70%.

We believe that these efforts will lead to a virtuous cycle of enhanced employee vitality and work engagement and the sustainable growth of the Asahi Kasei Group. Among key HR KPIs, empowerment of diverse personnel and employee's vitality are included in performance-linked evaluation metrics for Executive Officers, and management is advancing initiatives with strong awareness of improving these KPIs.

P. 38 Raising corporate value

To raise corporate value, we are promoting five main measures. Among these, we consider accelerating business portfolio transformation and improving profitability to be particularly important, and aim to improve our P/B ratio by producing results from these efforts. Regarding ROE, which is a factor influencing P/B ratio, we recognize that it is currently below the cost of equity. While we target 9.0% in FY 2027, the final year of the current MTP, we will also advance ROE improvement measures in the near term, aiming to reach 10% as early as possible and further improve P/B ratio.

P. 39 Share price improvement

In relation to P/B ratio, I will explain our share price trend and the business portfolio transformation behind it.

In FY 2022–23, income remained sluggish due to a deteriorating operating environment, particularly in Material, and growth investments and structural transformation initiatives were medium-term measures; as a result, our share price underperformed TOPIX.

In FY 2024, we achieved record-high operating income for the first time in six fiscal years, but market valuation remained limited. Against this backdrop, from around the middle of FY 2025, progress of structural transformation became clearer, and we were able to demonstrate that First Priority businesses were actually driving income. As a result, our share price has risen at a rate exceeding TOPIX, and we believe market valuation has progressed.

P. 40 Achieving sustainable growth from a medium-term perspective

Finally, I will explain our thinking on future growth beyond the current MTP.

We have already explained the path to achieving the operating income target of 270 billion yen, but what comes after that is also important. We aim for sustained growth in Pharmaceuticals, Critical Care, Overseas Homes, Electronics, and Energy & Infrastructure. In all of these, we emphasize Asahi Kasei's unique way of competing and believe sustainable growth can be realized by selecting the right fields to compete in. Some initiatives have already been advanced through upfront investments under the current MTP. Depending on market conditions, earlier realization of growth is possible, and we will actively seek such opportunities.

In exploring further growth opportunities, we continue to search for possibilities to expand in existing businesses and adjacent areas, including inorganic expansion. In doing so, the most critical point is whether we can forge a path to success that is unique to Asahi Kasei. We will continue to work toward sustainable enhancement of corporate value through business portfolio transformation and investment management.

Questions and Answers

Corporate:

Q: Regarding Asahi Kasei's ecosystem, I understand the qualitative synergies and the significance of three-sector management, but how do you assess its quantitative value?

Kudo: We recognize that quantifying the value of Asahi Kasei's ecosystem is an important issue in ensuring that our corporate value is appropriately evaluated. This remains a major task that we continue to examine. We would like to further consider this, including how to set the assumptions, and reach a level at which we can provide a clear explanation.

Q: Given the wide range of businesses, I believe a strong ecosystem has been built by managing them as wholly owned subsidiaries of the Asahi Kasei Group. As the businesses expand globally through M&A projects, how will you maintain a sense of unity across the group going forward while overcoming differences in culture and compensation systems?

Kudo: As you pointed out, operating businesses such as Housing and Pharmaceuticals as wholly owned subsidiaries is an important element of our management. In addition, constraints that exist in operating businesses within the group—such as constraints on cash—are also part of the essence of Asahi Kasei's management. It is within such constraints that we have been forced to be creative, and strong businesses have been built. For example, in Housing, from the very beginning we focused not on becoming a developer, but on committing strong human resources and specializing in urban housing, thereby thoroughly enhancing the brand value of Hebel Haus. In Pharmaceuticals, we arrived at the current form—focused on specific therapeutic areas—as a result of thoroughly considering a path to success within the Asahi Kasei Group that differs from that of major pharmaceutical companies.

Today, as we advance M&A overseas, both our businesses and our human resources are becoming more diverse. For instance, there are compensation and remuneration systems overseas that are completely different from those in Japan, and it is essential that we have a correct understanding of these differences. In light of this, beginning in FY 2026, under the concept of "One AK," we are increasing opportunities for training and communication with management and employees of overseas subsidiaries. We are also introducing mechanisms such as reflecting group-wide ROIC in a portion of compensation for U.S. management, to ensure that they are constantly mindful of being part of the Asahi Kasei Group.

While striking a balance between the centrifugal force of businesses operating independently and the centripetal force of being part of the group is not easy, it can be a gratifying part of management. We will continue to manage the business with a strong awareness of this balance.

Q: Asahi Kasei seems to be very skilled at M&A. Including the utilization of Asahi Kasei's ecosystem, why do you think you have been able to execute M&A successfully?

Kudo: We have used M&A as an important tool in our growth strategy, but not every case has been a success, and we have learned a great deal from past experience. We believe there are several common factors among cases that have gone well.

First, the management team continues to be involved in operating the business after the acquisition. Cases in which the management team remains—deeply committed to the business and highly motivated to drive further growth—have generally led to strong results.

Second, our capability to execute PMI. In recent years, we have increasingly been able to quickly establish PMI teams by bringing together in-house specialists, and we have built a structure that enables smooth communication with acquired companies. This capability has been strengthened year by year.

Third, we carefully screen opportunities from the long-list and short-list stages and create sufficient opportunities to communicate with the target company's management even before entering formal consideration. Building relationships with the target company prior to acquisition through such steps contributes to successful M&A.

Q: In the long-term investment plan on page 15 of the presentation material, expansion-related investment is expected to decrease from 670 billion yen under the initial plan to 600 billion yen. Could you explain the details?

Kudo: Under the initial plan, we had assumed M&A in Pharmaceuticals of more than 200 billion yen. One factor behind the reduction is that the acquisition price for Aicuris, which was agreed in FY 2025, was smaller than originally assumed. In addition, for North American homes, we revised our investment approach to proceed more cautiously in light of business conditions. On the other hand, we decided to accelerate investments in Pimel in response to strong demand trends. Taking all of these into account, we reviewed the overall plan and reduced the outlook for expansion-related investment by 70 billion yen.

Impact of the Middle East situation:

Q: Regarding achievement of the FY 2027 operating income target of 270 billion yen, how do you see procurement risks and rising raw material prices related to the Middle East situation affecting this?

Kudo: The FY 2027 operating income target incorporates a certain risk buffer. However, if geopolitical risks such as the Middle East situation were to become prolonged or more severe, we recognize that the buffer we have assumed may not be sufficient. With respect to the impact of the Middle East situation, when we present guidance for FY 2026 at the financial results announcement in May 2026, we plan to explain our assumptions in this regard. At that time, we would also like to share our thinking toward FY 2027.

Q: Could you comment on the outlook for procurement of naphtha needed to operate the ethylene facility?

Kudo: At this point, we have visibility that we can secure the naphtha necessary for operations through around the end of June 2026. Until now, we have been moving to secure naphtha with the highest priority on maintaining operations of the ethylene facility, without placing much emphasis on price. From July onward, while securing the required volumes remains the prerequisite, we will gradually shift toward procurement that is also more mindful of price. One factor behind this is that, with support from the Japanese government, our procurement options have been expanding, including to suppliers in Africa and Latin America. If the situation becomes prolonged, we may face difficult phases, but looking over the next roughly six months, we believe we are reaching a point where we can have a certain outlook regarding naphtha procurement.

Q: Could you comment on procurement risks for raw materials other than naphtha, and the status of passing through higher raw material prices? It appears that some construction materials and housing equipment are starting to become constrained. Could this affect Housing?

Kudo: In Housing, at this time, shortages of major construction materials and housing equipment have not reached a level that would constrain orders. However, we recognize that some suppliers may impose supply restrictions. We are working more closely with suppliers than ever, including requesting that they secure inventory, with a strong sense of urgency.

In Healthcare as well, there may be areas such as procurement of certain raw materials where we could be affected, but at this point we view the impact as limited.

When we were impacted by U.S. tariff policies, businesses such as Critical Care and Car Interior faced significant increases in procurement costs, but they flexibly reviewed their supply chains in accordance with circumstances. We believe that this capability will also be leveraged in the current situation.

Q: There are moves by governments and companies to reduce dependence on the Middle East for raw material procurement. Beyond that, do you have any risk-response strategy? In addition, expectations for green energy-related businesses may rise—how do you view this?

Kudo: We recognize that a high level of dependence on the Middle East for procurement of feedstock, including naphtha, has been a major issue. From a broader, macro perspective, there is also the question of whether we should continue to rely on petroleum as we have in the past. Such recognition is connected to discussions around strategies such as expanding environmental contribution products that help reduce the world's GHG emissions and our initiatives in the EV field.

Regarding North American EV demand, we previously assumed a market size of around 8 million units by around 2030, but the current outlook has declined to around 2 million units. That said, based on various market forecast data, we view the current demand environment as being near the bottom. We do not believe it will return to the originally assumed growth scenario, but across our portfolio of EV-related products, we believe new business opportunities may emerge going forward.

With continuous awareness of this overall strategic direction, we will further deepen our examination of comprehensive risk responses not limited to reducing Middle East dependence, including the overall approach to raw material procurement and the business portfolio.

Q: Due to the Middle East situation, the necessity of petrochemical products has been reaffirmed and issues regarding dependence on the Middle East for procurement have become more apparent, changing the environment surrounding petrochemicals. Even after the situation improves, the business environment may not fully return to what it was. How could this affect the progress of structural transformation in Chemical?

Kudo: At this point, we do not believe the Middle East situation will have a major impact on our policy for structural transformation in Chemical. Rather, as the business environment becomes more challenging, we believe the need will increase further to pursue a more focused business portfolio transformation—advancing structural reform of less competitive businesses while further strengthening strong businesses. Given that the market environment is currently in a state of disruption, we recognize that we will need to reassess the direction once the situation stabilizes. However, our policy for structural transformation in Chemical remains unchanged at this time.

Q: How do you view advancing structural transformation of petrochemical-related businesses amid the Middle East situation?

Kudo: The consolidation of ethylene facilities is an initiative aimed at increasing utilization rates and improving business efficiency. Based on publicly announced plans by each company, four of the twelve ethylene facilities in Japan will be shut down, but this is not simply a decision to close facilities because the business environment is tough. There is an underlying assumption regarding the scale of domestic demand around 2030, and we do not believe that shutting down ethylene facilities will be negative from the perspective of economic security. Rather, we believe it is important to build a system that ensures stable supply of essential chemicals needed for domestic demand by improving utilization rates while reducing costs.

Healthcare:

Q: In Pharmaceuticals, the impact of the patent cliff for Envarsus XR is expected to be felt starting in FY 2028. Will you be able to continue launching new drugs on an ongoing basis to cover the impact?

Kudo: Pritelivir, developed by Aicuris, for which we decided on the acquisition in FY 2025, has confirmed efficacy and safety in a Phase 3 study, and we are preparing for approval with the aim of launching within FY 2026. In addition, at Veloxis, we continue to advance development of pipeline candidates to succeed Envarsus XR. To supplement this, we are also considering in-licensing. We aim to acquire late-stage assets with global rights in our specialty therapeutic areas and have assumed in-licensing expenses of around 40 billion yen over the current MTP period.

We recognize that patent cliffs are an unavoidable challenge in operating a pharmaceuticals business. Based on the assumption that performance could become challenging due to such impacts, we will move in advance to build the pipeline and take proactive measures.

Q: On page 14 of the presentation material, you assume in-licensing expenses of 30 billion yen in Pharmaceuticals from FY 2025 to FY 2027. What assumptions is this based on?

Kudo: We assume in-licensing to expand the pipeline in order to achieve sustainable growth. However, this plan inherently depends on counterparties, and therefore is uncertain. We assume it will be executed under strict monitoring, and we believe it is unlikely that in-licensing expenses will exceed 30 billion yen.

Q: For LifeVest, you appear to have a strong chance of expanding in the European market. Could you explain the background?

Kudo: While the scale of sales in Europe is still smaller than in North America, we have been seeing high growth rates recently, particularly in Germany. The background includes the clinical study in Germany (SCD-Protect), which reconfirmed the efficacy of LifeVest, as well as a European treatment guideline recommending WCD (wearable defibrillator). Penetration relative to the potential market remains low, and we believe there is significant room for further expansion.

Material:

Q: Why are the performance targets for Electronics so conservative? Also, the operating margin target around 2030 is 15% or higher, which is not significantly different from the current level. Compared to competitors' higher operating margins, couldn't you aim for a higher margin?

Kudo: In particular, in electronic materials, we have revised upward the FY 2027 operating income target from the initial plan. As you pointed out, however, we consider the target to be conservative. One reason is that it is difficult to rapidly increase Pimel production capacity even amid strong demand. We are currently considering every possible measure to improve production efficiency.

Against a backdrop of strong demand, we believe Electronics can continue to grow, and we will also work toward achieving a higher level of profitability.

Q: Regarding Pimel, are you considering additional capacity expansion?

Kudo: As we have announced, the capacity expansion at the Fuji plant, which had already been decided, was brought forward from the initial plan. We are currently in the preparation stage. We will continue to consider further investments on an ongoing basis, placing importance not only on growth potential and capital efficiency, but also on business continuity planning (BCP).

Q: Regarding page 46 of the presentation material, the market scale for glass fabric assumes significant growth in current generation glass fabric where competition is intensifying. For next generation and subsequent generation glass fabric (quartz glass fabric), which you plan to strengthen, could you provide an update on current initiatives toward full-scale sales?

Matsuyama: Please consider the breakdown of the graph for market scale on page 46 to be for reference only. Our strategy of shifting our product mix from current generation glass fabric, where competition is intensifying, to higher value-added glass fabric such as next generation and subsequent generation glass fabric remains unchanged.

For the subsequent generation glass fabric, customers are currently evaluating samples. There is no change to the schedule of aiming to obtain customer certification in FY 2026, and to achieve full-scale sales contribution from FY 2027 onward. Leveraging our strengths—an integrated in-house framework that covers everything from setting specifications to development, manufacturing, and quality assurance—we are steadily building a patent portfolio for manufacturing methods and related areas.

Q: Regarding low-CTE (low thermal expansion) glass fabric, could you provide an update on current initiatives?

Matsuyama: We are also advancing development of low-CTE glass fabric and are currently at the stage of customer evaluation. While the timing of commercialization has not yet been determined, we are aiming to launch in the future.

Q: As next generation, subsequent generation, and low-CTE glass fabric ramp up, is there a possibility that additional capital investment will be required?

Kudo, Matsuyama: Our current investment plan does not include capacity expansion for glass fabric. If capacity expansion becomes necessary, we will consider it, including potential alliances with other companies, but we do not expect the investment amount to be very large.

For the subsequent generation quartz glass fabric as well, we assume production through a process that leverages existing facilities. Some minor investments may be required to improve the manufacturing process, but we do not expect large-scale capital investment to be necessary.

Q: For separators, you have revised downward the earnings outlook assumed at the time of the North American investment decision in April 2024. How do you view the risk of impairment?

Kudo: It is true that separators continue to face a very challenging business environment, and as explained, the start-up of the Canadian plant will be delayed. However, in the second half of FY 2025, utilization rates at existing facilities have been improving with the ramp-up of demand for ESS applications, and we are also expanding the customer base for automotive applications. Accordingly, while we always remain mindful of impairment risk, we do not believe we are in a situation that would immediately require impairment. As market conditions may continue to change, we will strengthen relationships with automakers and battery manufacturers and build a structure that enables us to reliably capture demand.

Q: Have there been any changes to the financial support from the federal government of Canada and the provincial government of Ontario for the construction of the Canadian plant?

Kudo: I recently met with Prime Minister Carney and explained the situation, including the delay in the start-up of the Canadian plant. There have been no changes to the financial support. We believe we can continue to maintain a good relationship.